



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

November 14, 2014

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

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RESPONSE TO PROPOSITION A AGREEMENTS EXTENSION AND COUNTY WORKFORCE REGARDING ASSEMBLY BILL 1522 (ITEM #20; AGENDA OF SEPTEMBER 16, 2014)

This report is in response to the September 16, 2014, request by Supervisor Mark Ridley-Thomas to the Chief Executive Office to report back on the fiscal and budgetary impact that the implementation of Assembly Bill 1522 (AB 1522) will have on: 1) the County workforce based on the employee categories articulated in its "Pursuit of County Position" memo; 2) all other County Proposition A agreements, including security personnel; and 3) the County's dietary and concession Proposition A agreements at various Department of Health Services (DHS) facilities.

Background on AB1522

On September 10, 2014, Governor Brown signed AB 1522 into law and it will be effective as of July 1, 2015. AB 1522 mandates that all employers provide paid sick days to employees who work 30 or more days in a calendar year, and make the sick days available to use within ninety (90) days of employment. The paid sick days must be accrued at a rate of one (1) hour for every thirty (30) hours worked, and may be carried over to the following year. Employers may limit their use to twenty-four (24) hours or three (3) days in each calendar year. Employees, who are covered by valid collective bargaining agreements that expressly provide for wages, hours of work, working conditions, and paid sick days, paid leave, or paid time off, are exempt from these provisions granted that they earn thirty percent (30%) above the state minimum wage.

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Employers must provide paid sick days for the following purposes: diagnosis, care or treatment of an existing health condition of, or preventive care for, an employee or the employee's family member; or for an employee who is a victim of domestic violence, sexual assault, or stalking. Employers must also retain employee records related to the use and accrual of paid sick leave for at least five (5) years. Employers must establish a rebuttable presumption of unlawful retaliation if it denies an employee the right to use sick days or takes other specified adverse action within 90 days of specified protected activities by the employee.

Additionally, public authorities must comply with these requirements for in-home supportive services workers, except that these requirements may be satisfied by entering into a collective bargaining agreement that provides an incremental hourly wage adjustment in an amount sufficient to satisfy the bill's requirements.

Impact on County Employees

This new legislation impacts the following employee groups: 1) newly hired or newly promoted MegaFlex employees; 2) employees who do not currently receive sick leave benefits (such as 120-day retirees, certain part-time and temporary employees, and per session or per visit employees), and other represented employees who do not receive sick leave benefits (such as relief nurses who negotiated higher wages in lieu of benefits); and 3) represented employees who earn under the 30 percent above state minimum wage threshold, but earn sick leave at an accrual rate less than the state mandate.

These impacted employee groups require various changes to comply with AB 1522. The cost estimates for compliance include:

- 1) MegaFlex new hire and newly promoted employees will be compliant after a systematic change is implemented in the way non-elective leave is accrued and utilized. The administrative cost for compliance is negligible.
- 2) To provide all employees (including both represented and non-represented groups) who currently do not receive sick leave with sick leave at a minimal accrual rate for compliance with AB 1522, it is estimated to cost \$2.1 million per year.
- 3) The cost to amend the accrual rate for those represented employees, who receive sick leave but earn under 30 percent above the state minimum wage threshold, is undetermined as the amendment must be negotiated.

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All changes to sick leave benefits for represented employees must be negotiated with the Coalition of County Unions and SEIU Local 721.

Fiscal and Budgetary Impact of AB 1522 on County's Dietary and Concession Proposition A Agreements at various DHS Facilities and all other County Proposition A Agreements including Contract Security Personnel

The potential impact of AB 1522 to Proposition A contracts would not be realized until existing contracts are re-solicited or new contracts are put into place. However, a rough estimate indicates that the cost to the County on current Proposition A contracts could ultimately increase by approximately \$900,000. This calculation is based on the current estimated salaries and employee benefits for Proposition A contracts countywide.

Countywide Proposition A Cost Increase Calculation:

Estimated Total Annual Cost for all 218 LW Contracts	\$170,834,928
Estimated S&EB Cost (45% of Total Contract Costs)	\$76,875,718
Estimated Total S&EB Cost with 3 Sick Days Per Year	\$77,762,745
Estimated S&EB Increase with 3 Additional Sick Days Per Year	\$887,027

The estimated impact on the County's contracted security personnel and DHS' dietary and concession agreements are included in this calculation. The financial impact on security personnel and DHS' dietary and concession agreements comprises approximately \$360,000 and \$120,000, respectively, out of the \$900,000 estimate. While this is not an accurate indication of the potential future impact of costs, it provides a point of reference.

If you have any questions, please contact Maryanne Keehn at (213) 974-0470 regarding the impact on County employees, or Santos Kreimann at (213) 974-1186 regarding the County's Proposition A Agreements, or Gregory Polk at (213) 974-1160 regarding the County's dietary and concession Proposition A agreements.

WTF:BC:JA
MTK:DC:mst

c: Executive Office, Board of Supervisors
County Counsel